Poland: Sealing Tax Gaps

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THE STORY

VAT Gap in Poland (2010-2015)

• Approximately EUR 10 billion of foregone VAT revenue per year on average,

• VAT Gap in Poland as one of the largest in the EU (expressed as %),

• growing divergence from the EU median.

Source: EC, CASE (2020).
The VAT Gap is the difference between the VAT liability under full compliance and actual receipts. Between 2010 and 2015 the revenue was lost primarily due to:

- large scale fraud, more specifically MTIC and carousel fraud,
- tax evasion (e.g. underreporting, non filers), tax avoidance (e.g. misalignment of rates),
- but also errors, omissions and bankruptcies.

Interim solutions, like reverse charge mechanism, proved to have limited effectiveness.
IMPLEMENTED ACTIONS

• Changes in the legislation
  – New measures for counteracting tax fraud and tax evasion

• Changes in the organization
  – Consolidation tax administration, customs services and fiscal audit services in the single National Revenue Administration with new, wider powers and improved tools

• Dialogue with partners
  – New procedures for implementing changes in the tax law based on dialogue and common understanding
IMPLEMENTED ACTIONS

- Increased reporting obligations: SAF obligatory for all VAT registered entities from 1.1.2018;
- Access to information about cash-flow reported daily by banks (STIR);
- Effective application of General Anti Avoidance Rule (GAAR);
- Monitoring in real time movement of sensitive goods (e.g. petrol and tobacco) (SENT);
- Split Payment;
- Pilot implementation of Cooperative Compliance Programme (2020);
- Created office for large taxpayers (2021);
• Despite the recession, VAT Gap in Poland has likely fallen in 2020,
• in nominal terms the VAT Gap fell by ca. 50% since 2015.

Decomposition of VAT revenue growth (%, 2016-2018)

- Between 2015 and 2018 compliance effect contributed to over 50% of VAT revenue growth (of PLN 46.4 billion)

RESULTS

• Increase in **VAT collections** of ca. 49% over four years (2015-2020),

• Increase in **CIT collections** of ca. 31% over two years (2016-2018)

• Decrease in the **number of audits** by two thirds, for the benefit of check-up activities

• Increased **effectiveness of audits** (85% in 2017),

• Some of the introduced measures have also decreased **compliance costs** (e.g. less stringent audits, faster VAT refunds) and limited **administrative costs** (e.g. STIR – third-party information).
LESSONS LEARNED

• Think ahead – implementation process takes time, but substantial changes can bring desired effect in short period of time.
• Communicate changes inside and outside organization.
• Invest in people.
• Make sure you have political support for legislative changes.